

U.S. Equity Markets



WEALTH MATTERS

As part of our November 4, 2015 Wealth Matters webcast, we heard from **David Pearl**, Executive Vice-President, Co-Chief Investment Officer & Portfolio Manager of Epoch Investment Partners. His presentation, summarized on this page, provided an update on Epoch's equity market outlook. Please see the reverse for highlights of the other half of the webcast, in which Vanito Pobran, Regional Vice-President, Wealth Planning at United Financial, a division of CI Private Counsel LP, discussed common questions posed by small business owners.

Epoch Investment Partners Inc.

- Team of 38 investment professionals based in New York
- Bottom-up firm that manages more than \$40 billion in assets

Current global/U.S. outlook

- Currently experiencing "secular stagnation" – low growth, low inflation, significant debt, and a slowdown in China, the world's third-largest economy.
- In the U.S., the date of the Federal Reserve's anticipated rate hike has been pushed out, leaving financial markets with above-average volatility.
- We are targeting companies that generate free cash flow with management that excels at capital allocation.

Epoch's third quarter U.S. outlook by sector

Area	Views	Investment Examples
Financials	<p><i>Still in midst of a credit cycle – preference for non-bank financials</i></p> <ul style="list-style-type: none"> • Prefer transaction and fee-based companies • U.S. credit metrics continue to improve • Lower risk and better transparency result from regulation • Regulatory-driven market share opportunities • Focus on strong capital bases and regions of loan growth 	<p>Visa, Northern Trust, Evertec, Total System Services, CME Group, American Express, Citigroup, AIG, CIT Group, Morgan Stanley, Citizens Financial, Blackstone Mortgage Trust, NorthStar, Legacy Financial, Investors Bancorp, Huntington Bancshares, Bank of Hawaii, CVB Financial</p>
Health care	<p><i>Reimbursement remains the key determinant</i></p> <ul style="list-style-type: none"> • Cost savings – preventing chronic from becoming acute • Broader participation • Preference for special pharmaceutical and medical device niches 	<p>Gilead Sciences Inc., Abbott Labs, UnitedHealth Group, WellCare, McKesson, Integral LifeSciences, Wright Medical Group, Tornier</p>
Consumption	<p><i>Positioned for slow growth</i></p> <ul style="list-style-type: none"> • Focus on value for price • Need to increase savings • Target emerging market demand • Identify recurring revenue opportunities • Housing bottom in selected markets 	<p>TJX, Iconix, Kohl's, Ameriprise, BlackRock, Waddell & Reed, Diamond Hill, Morningstar, DuPont, Ecolab, CenturyLink, Time Warner, Home Depot, Mueller Water Products, M/L Homes</p>
Energy	<p><i>Longer term supply constraints</i></p> <ul style="list-style-type: none"> • Target strong balance sheets and consolidation opportunities 	<p>Anadarko Petroleum, Devon, Occidental Petroleum</p>

Third Quarter 2015. Bold names are held in the U.S. Value representative account. All other names are held across other U.S. strategies. The information above should not be construed as a recommendation to purchase, sell, or otherwise acquire or dispose of any security. This report is for information purposes only. The views and securities listed above are included to illustrate the investment process followed by Epoch. Epoch may make fewer or greater investments, or may not invest in any of these investments. Epoch is under no obligation to update the recipient of updated views or example securities.

Tax Considerations for Small Business Owners



*Owning a small business comes with its share of risks and concerns. Minimizing the taxes paid on this business shouldn't be one of them. During the Wealth Matters webcast, **Vanito Pobran**, Regional Vice-President, Wealth Planning at United Financial, a division of CI Private Counsel LP, discussed some of the most common questions small business owners have regarding their tax strategies.*

- 1. Should I pay myself a salary or take dividends?**
There are benefits and drawbacks for both options, so prioritizing retirement savings or immediate tax breaks will help decide which option makes the most sense for you.
- 2. Can I pay my spouse or kids out of the company?**
Yes, as long as salaries are reasonable. For a spouse or adult children, consider making them a shareholder – dividend payments don't have reasonability tests.
- 3. I have cash building up in my company – is this a problem?**
Maybe – the excess cash could potentially cause you to miss out on an \$813,600 (2015) capital gains exemption!
- 4. How can family trusts be beneficial in tax and estate planning?**
A trust can provide incoming splitting among family member and can multiply the capital gains exemption, among other benefits.
- 5. Does it make sense for me from a tax perspective to invest inside a corporation or should I continue to do so personally?**
Depending on the province, gains from investing within a corporation may be tax deferred, which could be worthwhile. There is also a significant deferral on earning active business income within a corporation, and after-tax earnings can be reinvested within the corporation.
- 6. My competition is paying their staff as subcontractors and I am paying my staff as employees – can I change to lower my costs?**
If you choose to use contractors, you must be able to justify the reasoning and prove that the facts support a relationship that is a contractor rather than employee. This appears to be one of the areas that CRA is focusing on for possible adjustments.
- 7. I am looking at purchasing a commercial rental property through my business. What are the issues?**
Typically, the rental property has a high value so putting the property in the active company exposes it to operational risk of day-to-day activities. However, there are ways to protect these assets from creditors.
- 8. I have unrecognized income from the past but I want to record it now – how do I do this?**
Option 1 is to complete a T1 adjustment (individual) or amended return (company). The other option is a voluntary disclosure; however, you only get one voluntary disclosure over the life of the company.
- 9. What happens when my business has losses?**
Losses can be carried back three years to offset income earned in prior years or carried forward 20 years to offset income and reduce taxes in the future.
- 10. I have first and second year apprentices that work for my company – are there any deductions that I can claim?**
The government gives up to \$2,000 (10% of eligible salaries) toward the reduction of your corporate taxes for every trade person that is in their 1st or 2nd year of apprenticeship (non-refundable credit).

Your Assante advisor is available to help

If you have questions regarding how your small business can stay tax efficient, talk to your advisor for assistance.

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